



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
TENNESSEE WATER AND WASTEWATER FINANCING BOARD
8th Floor, L&C Tower
401 Church Street
Nashville, TN 37243

January 13, 2006

The Honorable Phil Bredesen
Governor
State of Tennessee
First Floor, State Capitol
Nashville, TN 37243

RE: Annual Report of the Water and Wastewater Financing Board

Dear Governor Bredesen:

The Water and Wastewater Financing Board (Board) has prepared for you its annual calendar year report. The annual report for 2005 is attached for your information.

I would like to thank the staff of the Department of Environment and Conservation, the Comptroller of the Treasury, and the Municipal Technical Advisory Service for their contributions throughout the past year in the successful operation of this Board.

My goal as Chairman of the Board has been and is to provide quality service to the citizens of the State of Tennessee. If this Board can be of further assistance to you and your staff, please contact me at (615) 532-0229 or via email at Ken.Pointer@state.tn.us.

Sincerely,

Ken Pointer
Chairman

Attachments

cc: Commissioner James H. Fyke

**ANNUAL REPORT
OF THE
WATER AND WASTEWATER FINANCING BOARD**

January 2005 through December 2005

Prepared by

The Water and Wastewater Financing Board

and

The Department of Environment and Conservation

January 2006

**CURRENT MEMBERS
OF THE
WATER AND WASTEWATER FINANCING BOARD**

Mr. Ken Pointer, Chairman
Tennessee Department of Environment and Conservation

Mr. Joseph Prochaska
Tennessee Environmental Council

Ms. Ann Butterworth
Tennessee State Comptroller's Office

Mr. Dale Huddleston
Tennessee Association of Business

Ms. Shirley Fox Rogers
Tennessee Municipal League

Mr. Elton Clark
Tennessee Association of Utility Districts

Mr. Kenny Wiggins
Tennessee Association of Utility Districts

Mr. Richard Phillips
Tennessee Association of Utility Districts

Ms. Talia Lomax-O'dneal
Minority/Government Finance

**DEPARTMENT OF ENVIRONMENT AND CONSERVATION
STAFF TO THE
WATER AND WASTEWATER FINANCING BOARD**

Mr. Jim Poff
Technical Secretary
State Revolving Fund Loan Program
Division of Water Supply

Mr. James Goodman
Financial Advisor
State Revolving Fund Loan Program
Division of Water Supply

Ms. Gloria Pack
Recording Secretary
Division of Water Supply

Ms. Kim Kirk
Assistant General Counsel
Office of General Counsel

Additional Acknowledgement to the Staff of:

Comptroller of the Treasury

Municipal Technical Advisory Service

ANNUAL REPORT FOR 2005

The Wastewater Financing Board (Board), created by the 95th General Assembly in 1987, was empowered to effect reasonable user rate increases or system improvements through negotiated consolidation of certain wastewater facilities. On July 1, 1997, public water systems were also placed under the jurisdiction of this Board; the name was changed to Water and Wastewater Financing Board, and two members were added.

The State of Tennessee currently has a total of 348 incorporated municipalities and approximately 200 chartered utility districts. Municipalities operate approximately 225 water and 227 wastewater systems. Utility districts operate approximately 182 water and 18 wastewater systems. There are 15 county-operated public water or wastewater systems. Of these fifteen systems, eleven offer both water and wastewater while four systems offer water only. The Board promulgated its rules and regulations and began hearing cases in July 1988.

The Comptroller of the Treasury, Division of Municipal Audit, refers local governments operating water and wastewater treatment facilities that are financially distressed to the Board. Financially distressed is defined as having a deficit total net assets in any one year, having a negative change in net assets for a period of three consecutive years, or being currently in default on any of its debt instruments.

Staff to the Board in the Department of Environment and Conservation (TDEC) reviews the referred cases and prepares presentations to the Board. The Board staff is assisted via contracts by Municipal Technical Advisory Service (MTAS). Staff from TDEC, and MTAS work with the referred systems to develop strategies to return the systems to compliance.

In 1997, the Legislature amended the legislation to require that all water systems requesting a Drinking Water State Revolving Fund (DWSRF) loan undergo a review to ensure that the system can demonstrate managerial, technical, and financial capacity development. The DWSRF Loan Program is administered by TDEC. Financially Distressed systems requesting DWSRF loans must appear before the Board prior to recommendation to the Tennessee Local Development Authority (TLDA) for award.

During 2005, five new cases, one status report, and seven compliance reports were presented to the Board during one session. All cases included a plan approved by the Board to remedy financial problems. Those plans included rate increases, changes in accounting procedures, or increased revenues from customer growth. The systems that came into compliance did so because of previously adopted plans.

The Board monitors all facilities that have previously appeared before the Board in order to determine if the plans adopted are working as proposed. If these previously adopted plans are not working as proposed, the Board will require the local governments to

reappear before the Board and explain what steps they intend to implement in order to solve the financial problems of their water and/or wastewater facilities.

Of the 215 systems reported to the Board since its inception, 209 or 97 percent are now in financial compliance with State laws. This demonstrates the effectiveness of the Board to ensure compliance.

**CASES PRESENTED
TO THE
WATER AND WASTEWATER FINANCING BOARD
FOR THE YEAR 2005**

Local Government

County

Plans Presented:

City of Covington
City of Dyersburg
City of Kenton
City of Memphis
Town of Ridgely

Tipton
Dyer
Gibson & Obion
Shelby
Lake

Status Reports:

Town of Hornsby

Hardeman

Compliance Reports:

City of Gordonsville
City of Lawrenceburg
City of New Johnsonville
Town of Pegram
Town of Somerville
City of South Fulton
Town of White Bluff

Smith
Lawrence
Humphreys
Cheatham
Fayette
Obion
Dickson

**WATER AND WASTEWATER SYSTEMS
CURRENTLY UNDER REVIEW BY THE
WATER AND WASTEWATER FINANCING BOARD**

| Local Government | County |
|-------------------------|----------------|
| Covington | Tipton |
| Dyersburg | Dyer |
| Gates | Lauderdale |
| Hornsby | Hardeman |
| Kenton | Gibson & Obion |
| Memphis | Shelby |
| Ridgely | Lake |
| Savannah | Hardin |
| Sneedsville | Hancock |